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Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RE: Resource Planning Workshop, Docket No. E-00000E-05-0431

SunEdison, LLC thanks the Commission for the opportunity to provide comments regarding the resource planning questions set forth in the April 25 notice in the above referenced proceeding. SunEdison, LLC, is North America's largest solar energy services provider, providing solar-generated energy to a diverse client base of commercial, municipal and utility customers. We have offices in New Jersey, Maryland and California, and are opening our fifth office in Colorado, where we are currently building an 8.2 MW solar facility that will create 50-70 new jobs.

We support generally both regulatory and utility resource acquisition processes that are fair and transparent. Moreover, the establishment of workable and effective oversight rules for public utility operations is beneficial so that utilities, customers, developers and other stakeholders are all working from the same playbook. In the context of utility resource planning, such rules are an effective means of incorporating state energy policies into the development of the electric energy infrastructure.

For example, the Renewable Energy Standard recently adopted by the Commission should be a first building block towards development of the overall resource assessment and plan.

A. Objectives of Resource Planning

The purpose of resource planning rules is to establish a process to determine the need for additional electric resources by Commission jurisdictional electric utilities. This process should integrate existing Commission policies such as those for renewable energy and demand-side resources, siting considerations, resource characteristics and future risks and contingencies and result in a resource portfolio that reliably meets projected system needs. While cost is clearly a major driver of resource decisions, it is not the only consideration, and exogenous factors such as energy security, independence, economic development and water use should also be considered. The rules should be neutral with respect to fuel type or resource technology. Generally, we believe it is good policy to utilize a competitive procurement process to acquire new utility resources. Finally, we believe consistency among jurisdictional utilities without regards to size is valuable, although there may be levels of detail required for the larger utilities that are unnecessary or unavailable for the smaller.

B. Resource Planning Process

The resource planning horizon should be based on a long term view, thus 20 years at a minimum should be projected. Some states require as much as 40 years, but this is not surprising since the resources to be acquired can last up to 60 years or longer. However, the "action plan," i.e. the plan for approval of specific new resources, should be much shorter to allow for adaptation for the

changes that will occur in the energy industry in the future. Thus, the action plan might establish resource additions for the first ten years of the long term planning period. The process should allow for public participation and input prior to filing of a proposed resource plan, and should be subject to an administrative hearing to fully air the issues involved.

C. Needs Determination (Load Forecasting)

SunEdison has no comments at this time on these issues.

D. Demand Reduction (Demand-Side Management)

The Commission should make clear that demand reductions can come from efficiency improvements in various electrical devices, demand response programs, and through customer-sited generation technologies. This is especially important as jurisdictional utilities implement the renewable energy standard, and its distributed generation component. Effective implementation of distributed renewable generation can capture its many benefits including fuel cost savings, avoided capacity costs, avoided transmission and distribution costs, voltage support, and so forth. These values should be part of the resource planning modeling process.

SunEdison would like to address the net metering and smart metering question in more detail. It is our belief that the Commission should establish a statewide net metering policy based on EPAct 2005 and consistent with recent policies adopted by states like Colorado and Maryland. True net metering is very straightforward and we urge the Commission to adopt these principles:

- Customer generation should be sized generally so that annual generation is not greater than annual consumption of the customer. Recent policies adopted in other states set an overall cap of one to two megawatts on individual system sizes, although New Mexico's rules allow systems up to 80MW;
- Customer generation in excess of consumption in one month (or billing period) is carried forward as a credit on a one for one kWh basis to the following month (or billing period);
- Any excess generation that remains at the end of a calendar year is compensated at an appropriate avoided cost rate;
- A single bi-directional meter is capable of capturing needed data for most systems, however some states require a second meter solely for the purpose of measuring generating system output for determination of Renewable Energy Credits created; and
- Customers with on-site generation are not required to change the rate under which retail electric service is received.

Section 1252 of the Energy Policy Act addressed smart metering by adding a new "Time-Based Metering and Communications" standard to Section 111(d)(14) of PURPA. This standard requires each state regulatory authority and nonregulated electric utility to make a determination whether it is appropriate to require each electric utility to offer each of its customer classes and individual customers upon request a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance in the costs of generating and

purchasing wholesale electricity. The time-based rate schedule shall enable the electric consumer to manage energy use and cost through advanced metering and communications technology. The types of time-based rate schedules that may be offered include time-of-use pricing, critical peak pricing, real-time pricing, and credits for consumers with large loads who enter into pre-established load reduction agreements that reduce a utility's planned capacity obligations. Each electric utility shall provide customers a time-based meter on request.

We believe these policies can dramatically improve the operating efficiencies of the electricity grid and bear careful investigation. The statutory threshold for cost-effectiveness is a finding that the long-run benefits of these rates are likely to exceed the costs associated with the use of rates. The Commission may find it advantageous to initiate a separate proceeding for this element of EPAct 2005.

E. Filling Need Requirements (Supply-Side Planning)

Our comments on this section are limited to supply-side resource commitments and requirements, and fuel diversity.

To address questions 1 and 6, the supply side requirements should incorporate a review and analysis of existing resources including the net supply-side resources that the subject utility currently has in its portfolio, along with resources it has under contract. It should also include resources to which it has made a future commitment to build or buy, and those resources required by the Renewable Energy Standard. These resources, in total, would form the base from which the need for additional supply side resources may be determined.

Fuel diversity (question 4) is an important element to consider in resource planning. As we have seen in the last few years, the price of certain fuels like natural gas can be very volatile – and particularly vulnerable to supply disruptions. Not surprisingly, spot coal prices rose significantly during the time when natural gas prices were very high. Thus, fuel diversity must take into account not only simple differences between resource types, but potential price relationships between resource or fuel types. These issues should be much less of a factor with respect to renewable resources, particularly those that have no fuel costs such as wind, solar, and geothermal.

Again, SunEdison thanks the Commission for the opportunity to provide comments on this important topic and urges the Commission to move forward with an integrated approach to resource planning that captures the long-run costs and benefits of all resource types in a fair and consistent manner.

Rick Gilliam, Director, Western States Policy
SunEdison, LLC
6272 W. 91st Avenue
Westminster, CO 80031
Tel (303) 465-0018
Email rgilliam@sunedison.com